



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

IN THE MATTER OF THE PETITION OF SOUTH)
JERSEY GAS COMPANY FOR AUTHORIZATION)
THROUGH SEPTEMBER 30, 2012: (i) TO MAKE,)
EXECUTE AND DELIVER PURSUANT TO N.J.S.A.)
48:3-7 A TWENTY-FIFTH (25TH) SUPPLEMENTAL)
MORTGAGE INDENTURE AND ADDITIONAL)
SUPPLEMENTAL MORTGAGE INDENTURES)
PROVIDING FOR THE ISSUANCE OF A FIRST)
MORTGAGE BOND OR BONDS WITH A MATURITY)
OR MATURITIES OF NOT MORE THAN FORTY (40))
YEARS IN AGGREGATE PRINCIPAL AMOUNT OF)
NOT MORE THAN \$150,000,000; (ii) TO MAKE,)
EXECUTE AND DELIVER PURSUANT TO N.J.S.A.)
48:3-7 SUCH OTHER SUPPLEMENTAL)
INDENTURES, AND TO ISSUE SUCH FIRST)
MORTGAGE BONDS THEREUNDER, AS SHALL BE)
NECESSARY TO COMPLETE THE)
TRANSACTIONS CONTEMPLATED IN THIS)
PETITION; (iii) TO ISSUE AND SELL MEDIUM)
TERM NOTES WITH A MATURITY OF NOT MORE)
THAN FORTY (40) YEARS IN AN AGGREGATE)
PRINCIPAL AMOUNT OF NOT MORE THAN)
\$150,000,000; (iv) TO MAKE, EXECUTE AND)
DELIVER A TRUST INDENTURE, TRUST)
INDENTURES OR SUPPLEMENTS THERETO)
PROVIDING FOR THE ISSUANCE OF MEDIUM)
TERM NOTES; AND (v) TO REDEEM, REFINANCE)
OR DEFEASE ANY OR ALL OF ITS OUTSTANDING)
LONG-TERM DEBT SECURITIES AS LONG AS THE)
REDEMPTION, REFINANCING OR DEFEASANCE)
IS ACCOMPLISHED ON A COST SAVING BASIS)

ENERGY

ORDER

DOCKET NO. EF09070557

(SERVICE LIST ATTACHED)



BY THE BOARD:

South Jersey Gas Company ("Petitioner", "Company", or "South Jersey"), a public utility of the State of New Jersey, by petition filed on July 24, 2009 pursuant to N.J.S.A. 48:3-7, N.J.S.A. 48:3-9, and N.J.A.C. 14:1-5.9 (Petition), requested authority: (i) to make, execute and deliver a Twenty-Fifth (25th) Supplemental Mortgage Indenture and additional supplemental mortgage indentures providing for the issuance of a First Mortgage Bond or Bonds with a maturity or maturities of not more than forty (40) years in aggregate principal amount of not more than \$150,000,000; (ii) to make, execute and deliver such other supplemental indentures, and to issue such First Mortgage Bonds thereunder, as shall be necessary to complete the transactions contemplated in this Petition; (iii) to issue and sell Medium Term Notes with a maturity of not more than forty (40) years in an aggregate principal amount of not more than \$150,000,000; (iv) to make, execute and deliver a Trust Indenture, Trust Indentures or supplements thereto providing for the issuance of Medium Term Notes; and (v) to redeem, refinance or defease any or all of its outstanding long-term debt securities as long as the redemption, refinancing or defeasance is financially advantageous to the Petitioner.

As stated above, Petitioner seeks authorization to engage in a transaction or series of transactions at any time through September 30, 2012, the net result of which will be the issuance of up to \$150,000,000 of Medium Term Notes ("MTNs"). The net proceeds of this transaction or series of transactions will be utilized primarily to retire short-term debt and to fund capital expenditure requirements.

As proposed, the MTNs may be issued as part of one, or as part of several series, and may be issued on a secured or on an unsecured basis. MTNs will be issued with maturities from 1 to 40 years and with various specified conditions, including redemption provisions. The MTNs will be sold at 100% of principal amounts, at a discount or at a premium.

MTNs may be issued in one or more series under an Indenture of Trust or under various note indentures (collectively, the "Note Indentures") between the Petitioner and The Bank of New York Mellon (formerly The Bank of New York and Guaranty Bank), or a similar financial institution, as trustee (the "Note Trustee" or "Note Trustees"). MTNs may be issued under the Note Indentures in one or more series from time to time without limit (up to an aggregate principal amount of \$150,000,000). MTNs issued under the Note Indentures may be secured by the Pledged Bonds. Alternatively, Petitioner may elect to issue MTNs secured by other assets, or unsecured MTNs pursuant to a separate indenture or indentures between the Petitioner and The Bank of New York Mellon, or similar financial institution, as trustee. MTNs may be also issued on a secured, or on an unsecured basis, not under the Note Indenture or Note Indentures.

The Company may also issue the MTNs as mortgage bonds under its First Mortgage Indenture dated October 1, 1947, as amended, from Petitioner to The Bank of New York as Trustee (the "Mortgage Indenture"). MTNs issued under the Mortgage Indenture will be issued pursuant to one or more supplemental indentures under the Mortgage Indenture. As a result, it may be necessary for Petitioner to make, execute and deliver multiple supplemental Mortgage Indentures in addition to the Twenty-Fifth Supplemental Indenture. The Petitioner will choose to issue MTNs under the Note Indenture or under the Mortgage Indenture, or under a different Indenture or Indentures or both or without a Note Indenture depending upon which structure in Petitioner's judgment allows it to issue MTNs in a financially advantageous manner.

The Company has previously made, executed and delivered its Twenty-Fourth (24th) Supplemental Mortgage Indenture. Pursuant to the Twenty-Fourth Supplemental Mortgage Indenture, the Company may issue an additional Sixty-Five Million Dollars (\$65,000,000) principal amount of MTNs. Thus, Petitioner will not issue more than Eighty-Five Million Dollars (\$85,000,000) in principal amount of MTNs under the Twenty-Fifth Supplemental Indenture and other supplemental indentures.

While it is anticipated that the interest rates to be borne by the MTNs will not exceed ten percent (10%), Petitioner proposes that if market conditions require an interest rate greater than ten percent (10%), Petitioner will notify the Office of the Economist of the Board at least fourteen (14) days prior to the issuance of any MTNs.

Petitioner proposes that the interest rates to be borne by the MTNs will be set within maximum coupon spreads over U.S. Treasury securities as provided in the Market Yield Spread Table set forth below:

MARKET YIELD SPREAD TABLE

<u>Range of Maturities</u>	<u>Maximum Coupon Spread Over U.S. Treasury Securities (Basis Points)</u>
1 Yr. to less than 18 Mos.	425
18 Mos. to less than 2 Yrs.	435
2 Yrs. To less than 3 Yrs.	445
3 Yrs. To less than 4 Yrs.	455
4 Yrs. To less than 5 Yrs.	465
5 Yrs. To less than 7 Yrs.	475
7 Yrs. To less than 10 Yrs.	485
10 Yrs. to less than 15 Yrs.	495
15 Yrs. to less than 20 Yrs.	505
20 Yrs. to 40 Yrs.	515

Petitioner further proposes that in the event market conditions change, the Company will notify the Office of the Economist of its intent to use an updated Market Yield Spread Table seven (7) days before issuing MTNs with coupon rates that are not within the Market Yield Spread Table set forth above, if no written objection is received within that time.

To provide it with the opportunity to take advantage of tax-exempt financing, Petitioner has requested authority, as market opportunities arise, to issue and sell MTNs to or through the New Jersey Economic Development Authority (the "EDA"), or to or through other similar state, county or other financing authorities (together with the EDA, the "Authorities") in New Jersey to service and secure obligations of such Authorities ("Authority Securities") which would be sold through competitive bidding or pursuant to one or more MTN programs in a manner so as to provide that the interest on such Authority Securities would be exempt from Federal income taxation; or such Authority Securities may be issued in some other manner so as to be exempt from Federal income taxation, and so as to yield the most financially advantageous terms to the Company. Such financings would require Petitioner to borrow funds from time to time from such Authorities in order to comply with the technical requirements of applicable legal provisions including the Internal Revenue Code. Any such borrowings would be evidenced by an agreement to be entered into between the Petitioner and the respective Authority.

The MTNs may be issued at various times, and have differing maturity dates and may bear interest at different rates, and may contain other terms that vary from series to series. Any series of MTNs may be issued in one or more offerings that will be registered under the Securities Act of 1933 ("Securities Act"), or in one or more offerings that will be exempt from registration under the Securities Act. If a MTN offering is registered under the Securities Act, the sale will be made in a manner which, in the judgment of the Company, yields a financially advantageous result for the Company. If a MTN offering is not registered under the Securities Act, South Jersey intends to sell the MTNs either to or through one to three agents that will be accredited investors, as defined in rules adopted by the Securities and Exchange Commission. The successful bidder or bidders may, in turn, resell the MTNs to qualified institutional buyers, pursuant to Rule 144A under the Securities Act or to any eligible purchasers under an applicable exemption from the Securities Act. This type of sale, in an unregistered offering, will be made to or through the agent or agents whose bid or bids will, in the judgment of the Company, yield a financially advantageous result for the Company. The agents to be utilized by the Company may change from offering to offering.

The terms and timing of the proposed MTNs cannot be determined at this time, as they will be dependent upon market and other conditions beyond Petitioner's control. Such determinations will depend upon the market conditions at the time of issuance and sale. However, Petitioner will select the form of instrument which in the judgment of Petitioner would allow the issuance and sale of MTNs in a financially advantageous manner. In order to provide Petitioner with the opportunity to take advantage of changing money market conditions and advantageously manage its cost of capital and meet competitive conditions, Petitioner requests that all MTNs be sold without further approval by this Board in accordance with the procedures set forth in the Petition and this Order.

If secured MTNs are issued under the Note Indenture, they may be secured by one or more bonds (each, a "Pledged Bond" and collectively, the "Pledged Bonds") that will be one or a series of bonds issued under the Mortgage Indenture ("Mortgage Bonds"). The Pledged Bond or Pledged Bonds, if any, issued to secure MTNs, will be issued under the Mortgage Indenture, by a Twenty-Fifth Supplemental Indenture. The Mortgage Indenture is a first lien on substantially all of the property and franchises of Petitioner, now owned or hereafter acquired with certain delineated exceptions. Secured MTNs may also be issued without a Note Indenture, and secured by assets other than a Pledged Bond or Pledged Bonds. Secured or unsecured MTNs may also be issued to an Authority in support of the issue of tax-exempt Authority Securities.

Debt shall be issued in a principal amount up to \$150,000,000. The Pledged Bonds shall be issued and pledged by the Company and may be delivered to the Note Trustees in accordance with the Note Indentures. The Pledged Bond or Pledged Bonds will secure the payment of the principal and interest on secured MTNs issued under the Note Indenture or may otherwise secure the payment of Authority Securities.

Petitioner proposes, at any time through September 30, 2012, to redeem, refinance or defease at its option, all or any of the outstanding principal balance of any of its remaining outstanding indebtedness or debt securities which are eligible to be redeemed at their previously approved redemption prices, including any premium, plus interest thereon to the date of redemption if it is financially advantageous to the Company.

Petitioner proposes to amortize the cost of issuances of the MTNs and any Pledged Bond or Pledged Bonds by monthly charges to account number 428, Amortization of Debt Discount Expense.

The Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") has reviewed this matter and by letter dated September 11, 2009, stated that it is not opposed to Board approval of this petition with certain conditions. Rate Counsel recommends that the Company not be authorized to issue debt securities at coupon rates in excess of the proposed Yield Spread Tables without additional Board approval, and that there be no authorization to include in rate base any specific assets that will be acquired as a result of this financing. Additionally, Rate Counsel reserves its right to examine this financing in the context of any future rate cases filed by the Petitioner.

The Board after investigation, having considered the Petition and exhibits submitted in this proceeding and the comments submitted by Rate Counsel, FINDS that the proposed series of transactions is to be made in accordance with the law, and the Board approving the purposes thereof, HEREBY ORDERS that Petitioner be and is HEREBY AUTHORIZED through September 30, 2011, to: (i) to make, execute and deliver pursuant to N.J.S.A. 48:3-7 a Twenty-Fifth (25th) Supplemental Mortgage Indenture and additional supplemental mortgage indentures providing for the issuance of a First Mortgage Bond or Bonds with a maturity or maturities of not more than forty (40) years in aggregate principal amount of not more than \$150,000,000; (ii) to make, execute and deliver pursuant to N.J.S.A. 48:3-7 such other supplemental indentures, and to issue such First Mortgage Bonds thereunder, as shall be necessary to complete the transactions contemplated in this Petition; (iii) to issue and sell Medium Term Notes with a maturity of not more than forty (40) years in an aggregate principal amount of not more than \$150,000,000; (iv) to make, execute and deliver a Trust Indenture, Trust Indentures or supplements thereto providing for the issuance of Medium Term Notes; and (v) to redeem, refinance or defease any or all of its outstanding long-term debt securities as long as the redemption, refinancing or defeasance is financial advantageous to the Company.

Although the Company requested authority to issue these securities for a period of three years, the Order limits the authority granted to a period of two years. Given the unsettled nature of both the economy and the financial markets, a more frequent review of the Company's financial activities is appropriate.

This Order is issued subject to the following provisions:

1. Petitioner will issue the various series of MTNs in compliance with this Order. No further Order of this Board shall be necessary for Petitioner to complete the series of MTN transactions if the conditions of this order are met.
2. With respect to each issue and sale of any MTNs which may be made through competitive bidding, and not registered under the Securities Act, Petitioner shall provide this Board with the following material for informational purposes, as soon as it is available, and in no event later than 24 hours prior to the time for the receipt of bids (which materials may be provided by mail or by facsimile transmission and confirmed by mail): (a) A statement with respect of bidding for the MTNs which shall specify (i) the date and time for receipt of bids for the MTNs, (ii) the principal amount of the MTNs, (iii) the series designation of the MTNs, (iv) the minimum and maximum percentage of principal amount which may be specified in the bid as the purchase price for the MTNs,

- (v) the term of the MTNs, (vi) the terms and conditions, if any, upon which the MTNs may be redeemed, whether at the option of the Petitioner, pursuant to any sinking fund or improvement fund for the MTNs, or otherwise, and (vii) such other provisions as may be established by Petitioner with respect to the terms and conditions of the MTNs and the bidding thereof; and (b) An assessment of the then current financial markets applicable to the MTNs which shall include (i) data with respect to recent sales of comparable securities of other utilities, (ii) interest rate spreads between United State Treasury Bonds and utility securities comparable to the MTNs, (iii) the anticipated number of bidders for the MTNs, (iv) the anticipated range of the yield of the MTNs based upon current market conditions, and (v) such other information as Petitioner shall deem relevant to assess the expected sale of the MTNs and the reasonableness of the annual cost of money
- 3 Pursuant to competitive bidding procedures (a) at least three independent bids for the purchase of MTNs are received, (b) Petitioner accepts the bid which produces the most advantageous financial terms to Petitioner, and (c) the price to Petitioner in such bid is no less than 97% of principal amount and no more than 102% of principal amount, Petitioner may, without further Order of the Board, issue and sell the MTNs in accordance with the terms and conditions contained in such accepted bid. If (x) only one or two bids are received for the MTNs, or (y) Petitioner proposes to accept the bid which does not produce the most advantageous financial terms to the Petitioner or (z) the accepted bid provides for a price to the Petitioner of less than 97% of principal amount or more than 102% of principal amount, the proposed issuance and sale of the MTNs shall not be consummated until a further Order of the Board authorizing such issuance and sale has been entered.
 - 4 If MTNs are sold pursuant to competitive bidding, Petitioner shall furnish this Board in writing as soon as practicable after accepting the bid for MTNs, the names of all principal bidders together with the interest rate, the annual cost of money to Petitioner, the price to the public, the percentage yield and the price to Petitioner applicable to each bid.
 - 5 While it is anticipated that the interest rates to be borne by the MTNs will not exceed ten percent (10%), if market conditions require an interest rate greater than ten percent (10%), Petitioner will notify the Office of the Economist of the Board at least fourteen (14) days prior to the issuance of any MTNs if this falls within the Market Yield Spread Table approved by this Order. If the rate exceeds the approved range, Petitioner shall seek Board approval as described below.
 6. Whether the MTNs are sold in an offering that is registered under the Securities Act, or sold on a competitively bid basis, Petitioner shall not issue MTNs at coupon rates in excess of those that would result from the Market Yield Spread Table set forth in this Order. In the event that market conditions change, Petitioner may file an updated Market Yield Spread Table for Board approval, before issuing MTNs with coupon rates that are not within the Market Yield Spread Table set forth herein.
 7. Petitioner shall telephonically notify the Chief Economist prior to its issuance of MTNs, whether issued in an offering registered under the Securities Act or not, and will supply the following for informational purposes only: (i) Principal amount or amounts of the MTNs proposed to be sold; (ii) anticipated maturity ranges; (iii) actual current yields of United States Treasury securities; (iv) range of estimated coupon spreads over United

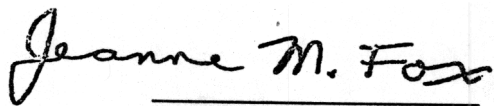
States Treasury securities; (v) data, as available, with respect to recent sale of comparable MTNs of other utilities; and (vi) such other information as Petitioner shall deem relevant to assess the reasonableness of the expected sale of the MTNs. Further, within seven (7) business days after the issuance and sale of any MTNs, Petitioner will provide the Chief Economist such information as was available at the time of sale upon which Petitioner based its decision to sell, such as market data with respect to utilities with similar credit ratings that have issued comparable securities.

8. Petitioner shall, as promptly as is practicable following the end of each month during which the MTNs are sold, file with the Board a statement which shall set forth the MTN transactions concluded during such month including the names of the agents and details of the transactions with the agents. Such statement shall also set forth (a) the principal amount, maturity date, redemption provisions, commissions and the interest rate spread over comparable United State Treasury securities for any MTNs sold and (b) the principal amount of the MTNs remaining authorized for issuance and sale in this Docket.
9. Petitioner shall issue the MTNs solely as provided for in this Order.
10. Petition shall furnish the Board with copies of each Note Indenture, similar indenture, and supplemental indenture, as executed.
11. Petitioner shall furnish this Board with copies of all final and complete documents as executed and filed with other regulatory agencies, including the Securities and Exchange Commission.
12. Petitioner shall semi-annually file with this Board, a statement setting forth; (a) the amount of MTNs issued pursuant to this order; and (b) details with respect to the disbursement of proceeds from such issuances.
13. This Order shall not be construed as a certification that the securities authorized to be offered for sale will be represented by tangible or intangible assets of commensurate value or investment costs.
14. This order shall not effect nor in any way limit the exercise or authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, franchises, services, financing, capitalization, depreciation, or any other matters affecting the Petitioner.
15. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
16. Petitioner should undertake financing in a manner that achieves the lowest reasonable cost of capital to customers.
17. Petitioner is obligated to use a prudent mix of capital to finance its utility operations and investments.

18. The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which is not exercised by September 30, 2011.

DATED: 9/16/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT



FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

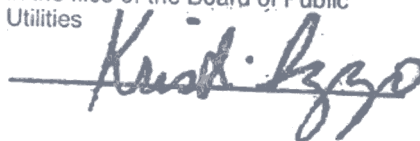

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



SERVICE LIST

Docket No. GF09070557

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**BOARD OF PUBLIC UTILITIES
OFFICE OF THE ECONOMIST**

FINANCING FACT SHEET

DOCKET NO. GF09070557

PETITIONER: South Jersey Gas Company

TYPE OF SECURITY: Medium Term Notes

AMOUNT: Up to \$150,000,000

MATURITY: Up to 40 Years with various issuance through September 30, 2011.

INTEREST RATE: Interest rates will be determined at the time of issuance. Refer to "Market Yield Spread Table" in Petition. If rates are over 10% Petitioner will notify Board 14 days prior to issuance.

METHOD OF SALE: Registered with Securities Act of 1933 – Sold in a manner that provides best results to company.

Not registered with Securities Act of 1933 – Sold through one to three agents whose bid(s) result in the lowest cost of money to the Company.

USE OF PROCEEDS: The net proceeds of this transaction or series of transactions will be utilized to retire short-term debt and to fund capital expenditure requirements.

NJ PRESENCE: Petitioner provides natural gas to 320,000 customers in Southern New Jersey. SJG territory includes 112 municipalities spanning 2,500 sq. miles in Atlantic, Cape May, Cumberland, Salem, and parts of Gloucester, Burlington and Camden counties.

PETITIONER'S TEAM

COUNSEL: Ira G. Megdal, Esq.
TECHNICAL CONTACT: John Stanziola

BPU STAFF

ECONOMIST OFFICE: Robert Wojciak
D A G: Babette Tenzer, Esq.
AGENDA DATE: 9/16/09
PREPARED BY: Robert Wojciak
REVIEWED BY: Mark C. Beyer